



# WORKING TOGETHER

EACH FOR ALL  
—AND—  
ALL FOR EACH

EVERETT BAKER



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# WORKING TOGETHER

By  
EVERETT BAKER

To the Frank Haldemann  
with the compliments of  
Everett Baker

Given to John Vershagen by  
Frank Haldemann

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## WORKING TOGETHER

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### I. True Co-operation

It is five years since Cy Mcighton came to our store for advertising. Cy was selling space on the theatre screen. There was to be a large space with cows and grass, or the like, in the center, with business "ads" at \$5.00 to \$10.00 each for three years in the marginal space around the border. Cy promised to reserve a space until we could see the screen, but, alas, within a day or so when we were able to get in touch with him he had completely forgotten the "Co-op" and had filled in all the border of the screen. It was rather embarrassing, for he hadn't intended to overlook us. Anyway we went together to look at the screen.

Said we to Cy, "How about that space in the center?" "Oh, that would cost a lot," he said, and he appeared rather astonished at the thought. "How much? Oh, \$50.00, anyway." "How about \$40.00?" Cy thought hard for a moment. "\$45.00," said he. "All right," we replied. That is how we who were crowded off came to have the choice space and in this space we wrote a challenge, not only to the opposition, but to ourselves. "Co-operation"—"Competition" were the words we set opposite each other and then in a bracket beneath "Consider well at the beginning what the end may be."

We were a year and a half in business then and one of our competitors who had given us six months to live had raised the limit to two years. Later it was raised to five, always with the stipulation that the crop failure of a dry year would put us out of business anyway. For two years now frost grades in wheat have greatly reduced the consumer's net income and this year is dry, so we'll see whether Andy Allison of the Young Co-operative is right when he says the tough years are not so bad, because people think more then about the way they spend their money. Wouldn't it be the irony of fate if we should miss our step? "Consider well at the beginning what the end may be."

Now that we've had a chance to test our ideals with a little experience; now that the challenge is up to the community in larger business and responsibilities from which we cannot be disengaged with a wish, we ask ourselves again with renewed interest, "What are we trying to do?"

Have our ideals changed with experience? What are the fundamentals for successfully working together? Will the old saying, "Farmers won't stick together," hold for the producers of our community and will the all-inclusive movement for Consumer's Co-operation work out successfully here as it has gone from one success to another across the seas?

To believe in Co-operation is to believe first in a division of labor, to believe people may live more abundantly where each performs one or a few tasks well, than where each should be left to provide all his necessities for himself. To believe this is to believe in organization to prevent over and under production, to avoid wastes of duplication in goods and services and the jealousy and greed engendered when two or more human beings set their minds to the possession of the same market for the purchase or sale of goods.

Co-operators have a mental picture of order in industry. They remember how half the world fed and clothed the whole world a few years ago, while of the other half, millions went to the battle-fields and other millions bent their energies to railway and ocean transportation and to the making of expensive fighting equipment and munitions; then they see want in the midst of plenty when there is no war; overproduction bringing unemployment and hardship to producers, instead of plenty, and they ask, "Why?" Among the many who are making a heroic struggle in the midst of possibilities for abundance, why is income so often insufficient to the finer standards of living? Why so little economic security? Where the necessity for so much debt and uncertainty and discontent? Personal factors in many instances, no doubt: ignorance, indifference, various kinds of intemperance (even these personal factors are partly social, both in cause and effect), but co-operators see in the spirit and methods of competitive commerce and industry a gigantic social cause, the outstanding cause, for these conditions.

The more they study the problem the greater their conviction that directly round the corner from this magnificent effort to banish war, the next problem to take the center of the stage,—in fact it comes before the war problem leaves and is a first rate factor in its settlement,—the problem of outstanding interest to rich and poor, in the congested centers of population and in the far corners of the earth, is this industrial problem: how to arrange production and distribution in such order that all may work together in peace and plenty, instead of wasting enormous energies in a com-

petitive struggle to wrest the good things of life from one another? We are already in an evolutionary revolution,—it is a revolution, for the spirit and the methods of “co-operation” and “competition” are as opposite as the poles.

The air is electric with it now. People, more than ever, comprehend that unrestricted industrial competition is actual war,—devastating, destructive,—killing the humanitarian impulses, leaving casualties unnumbered in broken bodies and spirits and consigning multitudes to a mere grasping struggle for existence.

Only as competition gives way to co-operation may there be freedom from the low remuneration that comes to competing individuals within the different industries; only thus is there freedom from the unequal struggle between the strength of the highly organized and the weakness of the unorganized industries, in their ability to command a fair portion of the consumer's dollar; only in consumer's co-operation is there security against the possible slavery of consumers to monopolistic corporations, the first duty of whose management is to get the largest possible dividends for invested capital, or of slavery to producer's co-operatives, whose first lessons in the working together of the individuals within them should teach the need for a broader co-operation of industries, but which might, in the absence of consideration for others, exercise a sort of mass individualism, a competition of industrial giants, whose warfare could be fully as tragic as the national wars of the past.

What is the bed-rock of true co-operation?—the outstanding characteristic that is the difference between co-operators and individualists? Test it on the people you know and will you not say, as we say from our limited experience, that the outstanding characteristic is unselfishness; is confidence in the inherent good in human kind, when not warped and twisted by too great a competitive environment; is action that conforms to the faith that he that saveth his life for the abundance of the things he may possess shall lose it, but he that loseth his life in the broader sympathies that find expression in encouraging and developing the good in others shall find it, not in a surfeit of personal material possessions, but in quantity sufficient for his need and in the character qualities that make for personality and win respect and good will.

True co-operation is different from the “enlightened selfishness” (as a trade circular put it recently) that co-operates with others primarily to help oneself. The spirit of “enlightened selfishness” may in a Producer's Co-oper-

ative, if it obtains a monopoly, oppress all the world with unreasonable prices. True co-operation is not self-centered; it never confines itself to a single group, but recognizes the inter-dependence of the industrial groups, including agriculture, and considers justice always in the interest of people as a whole.

Its standard of success is primarily spiritual. What does this mean? It means first considerations are humanitarian; justice, mutual confidence and understanding, good fellowship, faith that the possibilities for comfort and security are sufficient for all if we work together intelligently, rather than oppose one another by "fighting," as we say, for a living. It means consecration to the ideal. "In the world of material affairs," says Rabbi Stephen S. Wise, "I suppose the great rule of success might be to dare all in order to succeed." "In the world of spiritual affairs," he continues, "I can find only one rule for success. Dare to fail, in all ways, for all causes, that deserve to succeed."

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## II. Individualism

If each of us had a farm and could be satisfied with the hard labor and the simple fare of the agricultural handicrafts era, we might continue in the individualism by which each family's standard of living,—their log houses, their supply of food, candles and home-spun,—was a matter of individual initiative and energy. In division of labor and exchange of products, however, the individualism in which each thinks first and almost exclusively for himself, will not succeed.

In the old days to produce more than one could use was to have a surplus for security against future need. Surplus production, today, means low prices on competitive markets, low exchange value for other commodities, poverty instead of plenty. One may feel secure in employment where fair wages may be paid to supply a demand for goods, but machinery displaces man power and fair wages attract the unemployed—no one may feel secure in the assurance that employment and fair wages will last. Formerly a man was largely master of his destiny. Today, in ever increasing measure, he is in the hands of his associates. If overproduction or inefficient marketing, through no fault of his, brings prices below costs of production,—what does his willingness or his workmanship,—what does his individualism avail?

The strongest instinct in the race is said to be that of self-preservation. Individualism to the point of self-preservation is essential to existence. But as a tadpole outgrows its need for continuous life in the water when it becomes a frog, so individualism outgrows its usefulness as it passes from the needs of self-preservation to the point where co-operation leads to finer standards of living.

Observe the present day individualist. In his early years the whole family worked early and late. Work was the leading virtue. "Work for the night is coming" they sang, but that didn't mean head work. They thought they could "beat the game" by work, not by planning for less work,—what treason,—or for just returns for their labor, but by greater production,—if by reason of overproduction the price was low, then greater production still.

There was little leisure or inspiration for reading,—a pastime when nothing better offered,—not much for sociability and none too much for school. The boy acquired habits

of industry. Hard knocks did not weaken him. He was too busy grubbing out a living to take an interest in world trends,—the meaning of the present to the future is still beyond his range. He was determined to get away from the privations of youth. He saw the large farmer and the local capitalist and he said, "I'll be one too." The self-seeking that brought a competence eventually became a habit. The desire to get away from privation became the ambition to amass a fortune. Always self-centered. Did anyone ever help him? Why should he help others?

He speaks of "the white collared parasites that swing in swivel chairs." "Ha," says he, contemptuously, "I can't but think of the difference. I use a crow-bar while they use a pen." He uses the crow-bar so vigorously that in the evening he is too tired to attend the farmer's meeting. Let them discuss legislation, or co-operative marketing and purchasing. Why can't they do as he has done, rob themselves of every community interest, sacrifice personality and social and moral influence on the altar of the ambition for wealth? He takes inordinate pride in his accumulation. "A lot of good they can do at these meetings. Let them get up earlier in the morning. Let them really work."

He is willing to accept such advantages of co-operation as others have provided; roads, bridges and a postal system; churches, hospitals and schools; the organization of industry to receive the products of his labor and to make possible such an accumulation as he could not possibly have achieved by himself. He would call the police if robbed and expect some one else to call them if killed. He will pay such taxes as he cannot evade, but he would not pay them voluntarily any more than he would voluntarily contribute to the formation of new co-operative enterprises which sustain markets and regulate prices for him as well as for those who create them.

His competitive business philosophy is to give as little as possible for as much as he can get. He will for personal advantage offer direct selling competition to his neighbor's Labor Unions or their Marketing Pools. He will gamble his limited sales or purchasing knowledge again organizations with agents in every part of the world, organizations with a knowledge of markets and productive trends everywhere. He will scatter his purchasing power to maintain expensive duplication of goods and services, rather than concentrate with his neighbors to insure bargaining power and reduced expense. He is willing to trade on ignorance and credulity. Sharp practice he regards not as dishonest, but

clever. Whatever is legal is legitimate with him.

He and his wife may justify their obsession on the ground that they are doing it for the children. The children get false ideas of values; wealth, in their early environment, is the end and aim of existence, their right to superiority over school mates, their release from the necessity of contributing to the world's work, their freedom from the character-building adversity that develops fiber and endurance.

If it continues from generation to generation, they repossess the house of ancient feudalism. Commercial imperialism it is, as it has always been, but with more emphasis on the "commercial," for titles count for less and money more. Hereditary imperialism it is, creating inequality of opportunity in youth and lines of social cleavage wherein it is impossible for those who live by owning to understand and co-operate effectively with those who live by work. Capital, a tool of great social responsibility, is possessed, not by reason of having earned it, or by virtue of ability to use it wisely, but solely by accident of birth.

Russia is anathema to many people, but Russia in its revolutions has furnished an illustration of capitalist imperialism gone to seed. There was an upper crust and a lower crust in Russia. An upper crust rests on a lower crust, economically as it does geologically. When the pressure on the lower crust becomes greater than it can bear and it goes to pieces, what becomes of the upper crust? The red terror was a reaction from a white terror. The seeds of the revolutions developed in the old Russia. We have yet to pass judgment on the new.

Here in the Western world the incentives of individualism run in the same general direction. Get the children into the upper crust. Give them a short cut to owning without earning. Teach them not the sympathy that forgets self in serving others, but give them a sense of superiority, a pride and power of wealth, that will enable them to look coldly on the struggling masses, hang tightly to their beloved inheritance and increase it. Here is revolution in the making. Thus are the children prepared, like the aristocracy in Russia, eventually, for a similar fate.

Fortunately there are counter influences here that were not in Russia. The machinery for democracy is at least partly established; it needs mainly an enlightened public to use it. There are people, even of large means, whose wealth is incidental to the purpose it serves. They know the interdependence of industries. They appreciate the need for larger consumer purchasing power to keep the wheels of in-



dustry turning. They know that to be of practical benefit, the savings of improved machinery and methods must be reflected in lower prices to consumers, rather than in swollen fortunes to a few.

Indeed the strong-hold of individualism is in a multitude of thoughtless, selfish people of small means, who have not adjusted themselves or their thinking to changing conditions. They run over and under each other and strive helplessly against competing organizations beyond their range of vision, always hoping for riches, but never realizing how impossible for the great majority, in the odds they face, out-standing riches would be.

In our stock markets and exchanges we have a continuous orgy of speculation in which people try to raise themselves from the lower to the upper crust,—out of the class of those who serve to the crust of those who are served. The idea is to get service without giving it, to get something for nothing, or to get more than one gives. Apart from those who speculate are the millions of farmers and factory men, whose remuneration is at the mercy of this speculative manipulation.

What is the driving force, the motive behind this speculation? Has it anything to do with fair treatment for the people who earn? Not a single thing! Here is pure individualism. The sole motive is the desire to possess without regard for consequences to others. In this gamble in futures, in which the partly informed and the misinformed have an equal chance with those who know what there is to know (and what can they know of the weather), a buying hysteria may send stocks and commodities to entirely unwarranted heights,—then a smash and undue pessimism drive them undeservedly low. Rather remarkable the claim that this speculative market is more to the interest of growers, manufacturers, consumers, than insurance through well planned reserves, with the prospect of a fair average price.

When we reflect it is not the main body of the price, but the margin above or below costs of production that determines producer prosperity, we see the real significance of speculative fluctuations. Wheat produced at a cost of a dollar per bushel means double the prosperity to the producer at a dollar ten than it would at a dollar five. The producer's remuneration is determined by this wild-catting while he stands helplessly by.

It is just a question of whether we wish to help others to an expression of their best selves, or whether we prefer to take advantage of their weaknesses to enrich ourselves

at their expense. No one is to be envied an increase in leisure and earnings that comes through more efficient methods and workmanship, but to seek these advantages through the short cuts of speculation or sharp bargaining is past any moral defense. Those who engage in buying and selling, for speculation only, like to imagine they are beating the machine, but the machine may only be beaten as it beats others. Producers or consumers who have no direct part in these transactions may, indirectly, be the principal losers.

The selfish incentive, held by the proponents of individualism to be the main-spring of progress, is seldom satisfied with the fruits of honest effort and fair savings. It is too greedy. It grows impatient with giving value for value and competitive fears and friction lead almost unconsciously to unscrupulous methods.

In leaving individualism, the loss of individual liberty is the great fear. In organizing the Canadian Wheat Pool the contracts called for delivery at "time" and "place" as should be determined by the Pool. A few of the fearful ones assumed the possibility of all kinds of unreasonable hazards. Why, they could be made to haul to far distant elevators in the worst of weather. In this sixth year of the Pool's operation happily such fears have passed.

Now there is a strong agitation for 100 per cent. Pool by legislation, an effort to bring about concentrated marketing through the one producer's organization and again the individualist raises his voice against loss of liberty and compulsion. There are practical considerations such as taking over unnecessary elevators when depriving them of business by legislation and non-co-operative and government representation in the Pool's control. The real question is not a question of compulsion, however, but of these practical factors; a question of survival of producers under modern competitive conditions, a question of public welfare. What the individualist does not see is that his negative action—his refusal to co-operate—has just as compelling an influence on his neighbors as their positive action would exert on him.

Suppose centralized marketing might bring about a saving in handling charges of a very few cents a bushel, savings in lack of duplication of storage and shipping facilities and in general "overhead,"—savings, which though small, might rank high in a farmer's net gain. Suppose a single marketing outlet should make it possible to prevent a demoralized market in times of overproduction, carrying reserves of grain as insurance against future failure and restricting production if necessary to the point where producers might not be

compelled to produce at a loss.

There's a phrase for the individualist to conjure: "compelled to produce at a loss." Not to produce is to starve; unrestricted competition in these days means demoralized markets for producers. The neighbor who insists on co-operation may have no desire to break any one else to his will,—there's no fun in that,—he has simply got his eyes open to the fact that the individualist who insists on rocking the boat with competitive and speculative methods will destroy them both.

You and I, Mr. Individualist, and the neighbors are the building stones of a civilization. In proper co-operative relation we may make of civilization a beautiful and durable structure; without that relation there is no civilization,—we are just so many individual stones.

You and I are the bundle of sticks of an Aesop's fable. Together we may successfully resist adversity, but if I have no claim on your assistance, or you on mine, our aloofness will break us both.

The liberty of the self-sustaining farm of the 19th century is not the liberty of the inter-related industries of the 20th. Shake your head, Mr. Individualist, you don't like it, you may cause a violent revolution before you give in, but sooner or later you'll observe that you're now a part of a great industrial machine, a very wonderful machine in the leisure and the pleasure it may bring, but you'll have to mesh cogs or you'll hold up the whole works. Don't you think the rest of the machine has a little greater right to insist that you harmonize than you have to hold up the whole works?

### III. Competition

While a few individuals do achieve an overlordship of wealth, the great majority are defeated by reason of the unreasoning selfishness of their ambition as expressed in competitive conditions. Consider travelling salesmen. Services of value may be given by these men, but when they come in flocks, adding largely to the overhead of distribution, but with little difference in their offerings in quality and price, what shall we say?

Under these conditions these men may only increase their sales by decreasing the sales of others; they may only advance themselves by pushing others down. They may be generous in disposition, but the competitive commercialism of which they are a part is inherently selfish. At night many of them may look back on the day and say, "If I had not worked today, all the work I have done would have been done anyway. Others would have done it cheerfully, with no greater labor than they have had and with greater returns. Other salesmen might have shared their increased earnings in lower prices to merchants and merchants might have shared these lower prices with consumers; others would have been happier if I had not worked today." What a fine incentive, what a high moral purpose actuates these people whose work makes others less happy; who have to combat their generous impulses toward others to get their daily bread.

The salesman and his firm are not alone in this position. Retail merchants start with high ambitions. They want independence. They want to be stars. They won't be held back from their destiny by helping their competitors,—how absurd, nor by submitting to dictation from consumers. "Competition is the life of trade," they cry and while they really are generous when it comes to a test of real or apparent distress, they find life too busy to observe that in an area of limited purchasing power, unlimited competition may be an outstanding cause of poverty, both among merchants and consumers, destroying with its high prices not only the peace of mind of the weaker or less acquisitive members of society, but incidentally a goodly portion of their purchasing power,—the power by which the strong flourish.

The independence of which the merchant first dreamed

is an illusion. Neighboring merchants set prices he must meet, thus to a considerable extent determining his income; they determine also his hours of labor and the conditions of service. His individualism, reducing consumer purchasing power with the expense of its competitive wastes in buildings, stock and labor, his struggle against other merchants for volume in the face of a limited sales market, his competition for low prices with those from whom he buys and for high prices with those to whom he sells, in short, his entire environment is, and under the conditions must be, inherently selfish.

Many, looking back at the end of the year, may say, "If I had not worked this year all the work I have done would have been done anyway. Neighboring merchants would have done it cheerfully, less most of the expense of my store and therefore with greater returns. The purchasing power of the ultimate consumer would have been higher had they cared to lower his price with some of this saving; the aggregate of consumer purchasing power would not have been diminished. Except for myself and my dependents, others would have been happier if I had not worked this year."

Even the consumer, having come through this environment, has suffered from it. He is a trained bargain hunter. His competition over the counter with the purveyor of goods is just as real, just as unlovely as any other, not because he is naturally selfish, but because all his training has developed him that way.

Suddenly he discovers his purchasing ability has a value beyond that of merely purchasing goods; that as he uses it or withholds it, he may build great industries or ruin them; that collectively he and other consumers may, if they have sufficient intelligence, control with their buying power the whole structure of industry from top to bottom. They may eliminate competitive wastes, thus reducing the cost of goods and increasing their buying power very largely. Their increased purchasing power would create a vast new call for goods, furnishing new opportunities for employment to those unnecessarily employed in competitive inefficiency. They may fairly well destroy the traffic in liquor and narcotics, industries of commercialized vice, that exist, not by a natural demand from organized consumers, but by the selfish incentive for profit which leads its promoters to create and cultivate unnatural appetites and to encourage social customs for this purpose with surreptitious advertising.

With this ideal of the power and possibilities of Consumer's Co-operation in mind, he starts off to help organize

a co-operative store and from the beginning the environment of which he and his neighbors and their merchants have been a part asserts itself. The merchant hasn't much respect for consumers who will cut him off after all the credit he has given them, and many consumers, bent on lower prices, but far from seeing in the elimination of the wastes of duplication their greatest gain, take revengeful delight in finding a way to get even with the merchant for the ways in which they are convinced he has exploited them. Merchants are afraid of consumer control and consumers find it hard to overcome the suspicion that merchants will stop at nothing short of all they can get.

Only a few have advanced enough beyond this selfish outlook to realize that the existence of this spirit, far from making hopeless the task, should be its chief incentive; that this unlovely spirit, this ignorant suspicion, is itself inherent in competitive conditions; that we cannot be rid of it until the mutual understanding and good will which are the fundamentals of true co-operation are established. Only a few perceive that while the store buys in the same markets, in about the same volume and with the same general "overhead" as its competitors it is difficult to make an exceptional showing; that while it may regulate prices downward to some degree in favor of the consumer, it may do this largely through unusual sacrifices, in the early years, from directors and staff; that its chief value is in providing a unit for co-operative wholesale purchasing, with other stores, and as an intermediate step toward the single, practically-exclusive, community co-operative store; just a few at first have the far vision, but on their faith and loyalty and their ability to add to their numbers rests the permanence of the movement and the future of what they have begun.

In the natural antagonism to which we have referred, between consumer and merchant, the new co-operator with limited outlook, may, because the competitive mode of life is still in his system, start out to do a good thing in an evil way. "We'll fix these merchants now," he rejoices. "They've had the inside track long enough." So he goes forth as a hunter to the fray.

He forgets these merchants are human; that they did not originate the environment through which they have come, that they have only handled the "tug-of-war" (just that), from their side of the counter as he has from his. Lacking the ideal of universal consumer's co-operation, including merchants, he puts on his war paint and goes out like the mice who were going to bell the cat,—rather afraid to "thresh

it out" with the "cat" for it has a business knowledge exceeding his and a kind of Goliath attitude of knowing all about what he knows nothing about,—he might be out-argued, but not convinced.

Then the "cat" isn't used to being "belled." It will submit to compulsory long hours, low prices and strenuous service as business laws by which only the fittest can survive, but to voluntarily join hands with consumers to improve the whole standard of living,—here's the old environment again: "Consumers would hog all the gain."

We have tried not to overdraw the picture; the natural inclination of human beings to be friendly shines through in spite of opposing currents in business,—business itself is changing in many respects for the better,—but we must understand the logic of events, that volume in business reduces unit costs of production and distribution and is therefore a legitimate ambition; that when two or more parties seek the same consumer purchasing power, in their efforts to secure volume, conflict is inevitable and must continue until one defeats the other. Even between buyer and seller is the struggle for the seller's net profit that can only be eliminated when buyer and seller are the same.

As consumers, we may consider we have no responsibility for what becomes of the private merchant,—we will just leave him. It isn't so simple as that. The fact is we never leave him en masse and those who do leave him cannot leave his competition. We leave contending with him as buyers to begin the fight as a competitor for the volume essential to real savings. We need to understand that the costs of competition are so much heavier than those of co-operation that we can much better afford to work with the merchant's assistance, if he can adapt himself to co-operative ideals and practices, than to fight him, or ourselves, into bankruptcy.

We need to understand that the spirit of true co-operation cannot be limited to any group or class, for the loss of purchasing power on the part of any individual, in the interdependence of our economic relations, is felt through the whole structure of industry. We need to appreciate that the use of purchasing power, over and above the mere spending of it, is an economic moral responsibility, in which we experience the effects of our neighbor's spending and he experiences the effects of ours.



It isn't easy to get merchants and consumers together. The suspicions inherent in the old method are not easily overcome. Both consumers and merchants need to look beyond the bounds of former occupational class distinctions to find a basis for reconciliation; neither need deny the short-comings of the other, but both may recognize them as due to conditions for which they are mutually to blame. There is a basis for friendship utterly beyond the bounds of occupation, nationality, or creed. Respect for others, the claim to the consideration and respect of others, comes first by reason of our common humanity; we become reconciled, not as merchants and railway men or farmers, but because of the fact that every one of us have mutual common interests as human beings.

"Impractical" do you say? "You'll have to change human nature before people will work together with the community's interest on a par with their personal interests."

Suppose a spiritual regeneration is the necessary beginning. Isn't this the way to get it? Let us draw two circles. Call one "heaven" and one "hell." In the circumference of one the co-operative environment acts on human nature in which self-preservation, shall we say, is the prevailing instinct? Kindly treatment brings a kindly reaction, dissipates the fears of hunger and cold; the individual so acted on responds by improving the environment and the environment improves the individual; a continuous process of improvement, as round and round they go.

In the other circle the competitive environment bangs the individual who in self-defense bangs back; the organization necessary to finer standards of living is impossible in the atmosphere of fear and suspicion which naturally follows. The environment grows hard and intolerant, the individual becomes narrow, suspicious and tight; the individual reacts badly to the environment and the environment gains nothing of value from the individual, as round the vicious circle, degenerating, they go.

Grant the impracticability for getting the fruits of co-operation from the competitive environment; we must change the environment. Perhaps you think that can't be done. What, then,—What practical plan have you?

#### IV. Organization—Consumers

The first steps in organization are fairly well known. Those interested call a meeting to determine the objects of association, to appoint committees to formulate constitution and by-laws (in which copies from other organizations will assist), to arrange for incorporation, to canvass for members and funds and to report at the next meeting. When these preliminaries have been attended to, the first general meeting of members is called to pass on the work of the committees, to elect a board of directors and to transact further business.

The outstanding factors, when a sufficient volume of purchasing is assured, are finance and management. It is important to get enough paid capital to finance properly on the start and to elect directors with sufficient knowledge of business, not only to keep in touch with management, but with members also, that the business may be made to serve distinctly the consumer's need.

If aggregate purchases for members of upwards of \$50,000.00 are to be made, the services of a manager and at least one full time assistant will be needed. Figure expenses; interest, depreciation, taxes and fire insurance; telephone, heat, light, advertising, dray, delivery, salaries, book-keeping and audit. Here again, the annual audited statement of other organizations will be helpful. Estimate the volume of sales that at current retail margins will be necessary to carry the load and check back against the sales support promised to see how the necessary volume and that promised compare.

Raise paid share capital sufficient to buy the first stock of goods and provide for grounds, buildings and equipment. Every member should invest enough to finance his own business. Loan capital, on long terms, which may be repaid from earnings of the business may be used later, if sound expansion warrants.

Have an eye to the future, both as to its possibilities for expansion and its limitations. Small experience and capital should mean concentration within narrow limits, with no greater growth than can be mastered by the organization, as it goes along. Volume is essential to savings, but experience and capital are essential to successful management of volume. Successful merchandising means an understand-

ing of consumer's needs; a knowledge of goods and markets and of handling goods effectively both in storage and on display. It means a knowledge of accounting and financing. As to management, it takes more than a bright young fellow or a shrewd old one to pitch this game of general merchandising without experience or training.

The future of the business begins with the people's choice of directors. The directors should be business like—exclude all matters not pertaining to the business from meetings—they should understand parliamentary procedure and follow it. They are entitled to manager's monthly statements setting forth accounts receivable, and payable, monthly purchases, sales and expenses as compared with the same months in previous years, and in general to an analysis to show the exact standing of the business as nearly as possible. Observe the character of the stock and keep the money in staple every-day moving merchandise. "Goods that keep the store" is what is wanted, "not a store that keeps goods." Balance assets and liabilities; don't let increases in goods and accounts payable get beyond ability to pay.

The directors, if they attend seriously to business, soon learn to pick out the weak places in a statement—or those that need explanation. The manager takes his instructions from the board by resolution, not from conflicting directions of individual members. We have never experienced any serious difficulty in this regard. Officers are elected from and by the directors. In some places, the manager acts as secretary, but we consider it good policy for the manager to keep out of director's meetings except as invited. It gives the board unrestricted opportunity to discuss management without fear of personal offense, or offering the manager an opportunity to dominate situations which the board might better work out by themselves. The manager is given an opportunity to answer or explain when called in; usually he gives a report. Sometimes other members of the staff are invited also. It gives them closer contact with those who control, brings added interest and initiative and trains for greater responsibility.

We think manager and staff should pay the same retail prices as the general public. Pay their full remuneration in salaries rather than by discounts on goods and avoid suspicion or criticism from the public that undue advantage of their position may sometimes be taken. Let all the revenue producing activities of every full time member of the staff be for the business, thus avoiding conflict between personal and business interests. Pay by salaries rather than by com-

missions. A percentage of surplus to the manager might lead to high prices. Commission on sales might bring prices too low. Commission on sales and surplus might lead to undue sales pressure, as opposed to a customer's best interest. Pay salaries, but don't forget to pay commensurate with service. Pay fair.

Nothing is harder on a manager than to finance with inadequate capital. It takes his attention from his real job—management, purchasing and sales. It is up to the directors to see that a manager is supplied with the necessary capital if they expect him to make good. It is up to the manager, on the other hand, to see that he doesn't over-buy, or allow enough credit to customers to keep continually in hot water to finance.

If investment capital is available for repayment on five or ten-year terms, people with good security may finance shares with credit, instead of cash. Suppose \$50,000.00 is wanted. A hundred members might give ten notes of \$50.00 each, with appropriate security, one note and the interest on the unpaid principal to be retired each year. The business might give its own notes of \$5,000 a year for ten years, using these member's notes as collateral security. Interest on all shares and loan capital should be considered part of current annual expense. If the business accumulates a fair net surplus each year it might retire the entire loan indebtedness, redeeming the members collateral notes without payment from the members each year. If it failed to redeem these notes in full, the balance payable should not seriously embarrass members when spread in moderate amounts over a period of years.

Short term loans are hazardous for capital uses. They are likely to be called when most needed. We have financed considerably with these; in fact we've borrowed and repaid over \$30,000 in five years in short term private loans. We've kept our credit good in repayment, but we've had enough of it to realize its dangers. We've reduced current liabilities (loans and accounts payable) by \$12,000 in the first ten months of this year—this means an equal reduction in accounts receivable from customers and from goods carried in stock—the experience has led us to question seriously the policy of financing goods to customers with borrowed money. It doesn't pan out badly when times are good, but when collections are tough and the calls on loan capital are likely to be heaviest, the risk is too great.

The same factors that make community co-operation worth while give value to co-operation between the com-

munity stores through the national educational organizations, the Canadian Co-operative Union, at Brantford, Ontario, and the Co-operative League of the United States, at 167 West 12th Street, New York City. These organizations are members in turn, of the International Co-operative Alliance with headquarters at London, England, an alliance of the leading national Co-operatives of the world. From these central organizations of the individual Co-operative Societies, all kinds of assistance may be had, not only in organizing new Societies or Associations, but in using the accumulated experience of the movement to guide and protect, after they get going.

We have also the co-operation of individual stores for wholesale purchasing which saves a large duplication of energy in studying markets and materials, in making comparisons and deciding on best values. The combined need of the stores gives volume and bargaining power impossible to the individual units. The same values to the stores in co-operation as to individuals, but on a larger scale. The savings come down from the wholesales to the stores in lower prices or in patronage dividends, just as they come to individual purchasers from their own co-operative stores.

The patronage dividend is the keystone in the arch of co-operative organization. The high motive of capitalist industry, the managing motive, is capital dividends. Quality and service enter as a means to this end. The high motive of co-operative enterprise is quality and service. Patronage dividends serve as a means to the end.

Capital and labor are paid interest and wages. That is why we mentioned interest on capital as a part of current expense, rather than a capital dividend to fluctuate according to "earnings." Prices are set high enough to produce a surplus from which depreciations are taken and a commercial reserve. The balance is returned to patrons as an over-charge on purchases, according to the amount of their purchases, not according to the amount of capital invested which has already received as part of the expense of the business its interest or wage. Whether the dividend is large or small is of little consequence in itself since large dividends means large over-charges and small dividends mean lower prices in the first instance with less over-charge to repay. As a dividend it is relatively unimportant; as a protective device against excessive profits it is all important; it insures the lowest price consistent with quality and service.

This feature leads to another. Where capital controls with dividends to capital the main object, it is only natural

that capital should vote; should vote in capital units, so the man with the most capital would have the largest number of votes. But capital control of producer's or consumer's co-operation might subvert the controlling motive from the interest of the public generally to the interests of concentrated capital. Several of the larger shareholders might be elected by their capital as officers; it might vote them salaries which in effect could be capital dividends. We have in consequence this other feature peculiar to co-operative organization: members vote, not their money. Money is a hired servant, not a master,—given proper security and a fair wage, but no more. "One member, one vote." This means consumer (or producer) control.

In 1844, twenty-eight old weavers at Rochdale, England, found the right combination of factors to lay the foundations of what is now the largest commercial enterprise in Great Britain. Not for spectacular effects did they collect two and three pence per member per week for the first capital; not for any individual's industrial triumph, but for the beginning of a new social order in which the making of men should take precedence to the making of money. Patronage dividends, cash business, vigilance, loyalty, consumer intelligence and control, these were the simple elements which led to permanence after many failures, stimulating the organization of scores of other similar Societies, proving the principles and leading to the co-operation of the Societies in wholesaling at Manchester, in 1864.

Four commodities they handled at first; flour, sugar, butter and oatmeal. Now they've gone back through wholesaling to shipping, manufacturing, producing; they have immense factories and mills and large banking interests; their membership runs into millions, their annual trade past a billion; they can serve themselves in every material need.

Here's a problem for the capitalist, the individualist, who holds the chief motive for industrial progress to be the individual selfish incentive. Here's a gigantic enterprise, many of the employees of which receive greater compensation than their average in private industry, but the executives who carry the responsibilities of multi-millionaires, or their executives, in the capitalist world, have none of them become possessed of extraordinary wealth. Is it because they couldn't have had wealth, or are there other things they value more? Of course they want a decent living, but they haven't asked for palaces and private yachts,—things most people can't have. In the moderate compensation of these executives, who will themselves deny they have had more

to do with these achievements than the organized consumers in whom you, Mr. Individualist, have so little confidence, where do you find the incentive for building the greatest single industry—the largest association of industries under a single head, in the British Empire? The achievement isn't a theory. It's a fact. How do you explain it?



## V. Organization—Producers

Consumer's Co-operation is organized by localities. There is some exception in purchasing certain special machinery of production, but the need for clothing, food and shelter is everywhere much the same. Producer's Co-operation is organized by commodities. A dairy farmer and a wheat farmer may live as nearest neighbors and have many common interests in purchasing, but in process of handling, there is hardly anything in common in the marketing of butter and wheat.

Producer's Co-operation needs widespread organization. It needs a high percentage control of the commodity to be effective. It plans to protect producers against seasonal gluts, or "dumpings" by producers, the great majority of whom may be hard pressed by creditors and therefore helpless to avoid forcing their stuff into the market at certain seasons faster than it can possibly be absorbed at fair prices by consumer demand. Its purpose is to eliminate the speculator and the unnecessary middleman, to handle with the greatest efficiency and the least expense, to obtain for the producer the largest returns commensurate with the labor of production and the consumer's ability to pay.

The evidence of true co-operation is found in producer's, as in consumer's co-operation, in patronage dividends to refund overcharges in handling and in the principle "one member, one vote." Every effort is made to avoid competition and its attendant wastes.

The history of the Canadian Co-operative Wheat Producers is no less than a romance to those of us who have seen it develop. Drought over a considerable portion of the prairies in 1918 and 1919, followed by the post-war deflation which cut wheat producing investments, even as the price of wheat, left the farmers in a desperate plight. It was a case of "root hog or die." Many feared the banks, in sympathy with elevator interests and other clients, would be opposed to dealing with a producer's co-operative organization, but the banks had heavy investments with the farmers, as well as elsewhere, and they were not too blind to see that something had to be done. The morale of the people had to be sustained with some new effort, if nothing more.

Very fortunate was the Pool in its leadership, in this time of threatening calamity. It was a demonstration of

how the best seems to come to the top in times of crisis. The old order of business was afraid of the new. Leading newspapers opposed it. The Grain Exchange and allied interests opposed it. Garbled reports of failures of similiar ventures in the States were broadcast. Acrimonious personalities were indulged in; a leading mid-west newspaper was sued for libel and eventually settled out of court.

Saskatchewan, the leading wheat province, failed to reach its minimum objective of 50 per cent. signed acreage by September 12th, 1923, but the problem was as critical as ever and all that winter the effort continued in the country school houses, the town halls and churches of the Canadian mid-west. In June, 1924, came the victory. Saskatchewan went over the top with 50 per cent. wheat acreage. Alberta had made a start with what acreage it could secure the fall before, Manitoba was making good headway, and from then on, volume was assured.

No, the fight wasn't over. There were times when the price battle on the Exchange fairly staggered the new organization; days when it gasped for breath; nights when officials didn't sleep. **Nor are we past that stage, though** the Canadian Co-operative Wheat Producers, within six years of their beginning,—the individual producers,—have certificates in their own names aggregating some \$20,000,000, invested in elevator and terminal handling facilities. They have over 1,000 country elevators in Saskatchewan alone,—more than any seven of the private companies combined, not allowing for recent amalgamations under way to meet Pool competition.

There is still the problem of steadying markets against the dumping of unorganized producers, particularly in the Argentine, still the danger that fair prices may lead to over-production and the problem of properly handling production if this comes to pass, but a great forward step has been taken; the producer controls the machinery of the marketing of his product; the savings of efficiency in handling are his savings, or the consumers; concentration and volume enable him to maintain a marketing intelligence and a sales force with agents in many countries. In league with his fellow members, he has created the greatest Producer's Co-operative in history. Their use of it is the salvation not only of themselves but of the entire wheat producing industry from an utterly demoralized market following the world's greatest carry-over from 1928.

All honor to McPhail and Robertson and Edwards; to Burnell, Sapiro and Wood and countless others for their

leadership, their perseverance in the dark days, first in organizing farmers, then the business end of the Pool. They did it—altogether the farmers did it and are doing it—really they've had to do it. The day of individualism in many industries had passed. The organized farmers were the shock absorbers for a whole string of economic inefficiencies, injustices in buying prices that other organized workers were able to resist.

Injustice in buying prices may be handled in one of two ways. Consumer's Co-operation goes back to distribution, or through it, to the source of the trouble, inefficiency or excess prices, and makes a basic adjustment. Producer's Co-operation, as such, accepts the injustice in the price, adds it to the cost of production and passes it on.

Industry is like a man in a cage with a movable roof and floor. Low priced selling pressure is exerted from the roof and high priced buying pressure from the floor. High priced purchasing pressure on the floor doesn't worry him as long as he is strongly enough organized to push the roof up proportionate to the raising of the floor. That is Producer's Co-operation.

If, however, there is a limit to the selling price—a place beyond which the roof cannot be raised—then the pressure from high purchasing prices below may get mighty uncomfortable and he'll have to give some attention to fastening down the floor. That is Consumer's Co-operation.

The unorganized farmers with no defense against upper or lower pressure were being squeezed to death, "suffocated," eaten alive," as some who were experiencing the process described it. So they got together and gave the roof a shove; they decreased the expense of handling and stabilized the market in the flood period; certainly they improved their position. Except for lowering the floor, what else could they do?

What of this price injustice that Producer's Co-operation, strictly speaking, doesn't remedy, but merely passes along. Here is a farmer who pays too much for machinery. Here is a company whose excessive sales costs oppress the farmer who pays too much for machinery. Here is a mine, a lumber company, each of which exploits the company. Here is a clothing house that overcharges the laborers who work in the mills that exploit the company whose excessive sales costs oppress the farmer who pays too much for machinery.

Yes, and what does this farmer do? He demands a price for wheat that covers the whole string of abuses due to his and his neighbor's irresponsible methods of purchase.

He takes that wheat across the water to the English and Scottish Co-operative Wholesale Societies—his good customers—people who make a science of their buying and he tells them he wants the costs of production plus a fair margin for labor and living. What does he say about the bundle of wastes that figure in the buying prices that are in his costs of production? It's a little embarrassing, isn't it, to tell these people who for years have been making a struggle to get away from competitive purchasing wastes, that they're going to get more of that very thing, hidden in the price of their wheat?

We laugh at Socialism. What a mighty independence is in our individualism. We pound our chests with savage pride—we who eat and sleep comfortably—we did it, we did it with our own two hands and our own magnificent intelligence. The poor devil who has come through a different environment, buffeted by ignorance, sickness, accident, or afflicted possibly with humanitarian impulses that led him to share his earnings with the unfortunate, or an inferiority complex that led him to work for a good deal less than he earned; we observe him scornfully. Why couldn't he, in sobriety and industry, have done as well as we?

Give industry and sobriety their due. Theirs is the only chance to win in the competitive environment, but not by any means the sure chance. Those who think so must explain how to deal with overproduction or unfair wages, individually, or the competitive inefficiency that hits us all, as in the price of this wheat.

This "house that Jack built" isn't an indictment of any specific industry, but here's the excess charge of the clothier increasing wages, and so the cost of lumber and ore; to this we add "all the traffic will bear" in capital dividends for the manufacturer, together with competitive sales expenses out of all reason; lump these inefficiencies and excess charges together,—then consider the sober and industrious consumer who buys a dollar's worth of the bread made from this wheat. He thinks he is buying a dollar's worth of bread, but concealed in the bread,—see how much of his purchase is waste. See how the organized producers "pass the buck" from one industry to another, how the wastes collect and grow like a growing snow-ball till collectively they reach the unsuspecting, unorganized consumer and dump all the inefficiencies, thriftlessness and intemperance of his neighbors into his lap, sober and industrious though he be.

Perhaps, in our aloofness, we've dreamed that the ignorance, the poverty and inefficiency of others, was none of our

affair. But here we are, every thread and cross thread, every person and industry, woven and interwoven in the industrial fabric,—it's impossible to touch any thread without every other thread being more or less responsive to the touch.

What have we to do with those slow-witted, blundering ignoramouscs who act so funny—never quite sure of themselves, or always cock sure of themselves—we smile indulgently, or laugh at their peculiarities, or shun their greasy raggedness, yet we're woven together, industrially and economically, in the same piece of cloth. If we cut them with ridicule or try to exploit them to serve our own purposes, we weaken the cloth of which we are a part. If we extend the helping hand, our condition improves as we improve theirs.

George Burtle tells how one of a trio of famished soldiers received a food parcel from home. So absorbed in the parcel was he, so far did he forget his mates as to start demolishing it without asking them to assist. "Gosh, that's good," he's exclaim, as he sampled choice tid-bits, while George and Scotty, eyes bulging and jaws gaping, sat by. Every time he pulled that exclamation, says George, "I looked at Scotty and Scotty looked at me." Finally Scotty exploded: "It's a wonder, if it's so damned good, you couldn't find a different way to let us know about it." Whereupon, the cake-eater "came to." "Here," said he, "Help yourselves."

Did this chap not have exactly the state of mind that prevails in the competitive business environment? We get hardened to a neighbor's suffering,—frequently he deserves as good as we. It isn't a question of what he deserves, or what he needs; it's a question of what he has been able to get, not a matter of what he would get if justice and humanity were incorporated in the rules of the game.

You and I live side by side. We grow wheat. All is rosy for a time, then a strike (low purchasing power) in a buying country, huge production in another country, conditions far beyond the contact of our immediate threads in the industrial fabric well-nigh put us out of business.

We had equal money to invest during the war. "Food will win the war" was the cry, so you invested in a farm and went to work, while I put my money in the bank. In the post-war deflation your values were cut to half, but the purchasing power of my money for farm property increased in the same proportion as you lost. No actual values were destroyed. Your loss was my gain.

You invented a machine that cost me and others our

jobs. Had you reduced prices to consumers commensurate with the saving of the machine they would have had that much more money to employ us to supply them with other goods. But you cut prices enough to undersell your competitors; you piled up a great personal fortune which you can use to produce more goods than people can buy, or you can spend frivolously what formerly kept us from need.

What determines income? Should the state supplement a blind man's income, thus making it a matter of need? Is service rendered the gage of income to people generally? Theoretically it is, but income in the competitive environment is not so much a matter of earning, not so much the ability to serve, as the ability to command income, the ability of organizations or individuals,—of capital and labor, transportation and natural resources—to stand in strategic places and collect. Whole areas, whole industries and professions serve and languish, not for lack of a worthy contribution to society, but for lack of barbaining power,—for lack of proper direction and proper adjustment with the great economic machine.

Isn't it time to get over the smug complacency, the lazy idea that comes so easily with a hard-won prosperity that there's something individually wrong with those who haven't attained our standards? The essential thing to recognize is this: When work is done and value created someone should benefit. If the production of the underpaid is necessary and their workmanship is equal with ours, then they should receive equal wages. If they do not, then others consumers, or other producers, are getting what should be theirs. Is something wrong with them? Is it possible that in our view of the situation, there has been something wrong with us too?

## VI. A Plan and a Pattern

When we have settled on the co-operative plan as just and efficient, whether for producer or consumer, we have still to provide for the meeting of the co-operative groups for a fair and equitable exchange. How decide between what the producer thinks he should receive and the consumer thinks he should pay?

In direct barter between two people they must get together, consider all the factors involved and come to an agreement. Accurate knowledge of costs, at reasonable standards of efficiency, is essential. The method between industries should be just as simple as between individuals. Get the productive industries together at the round table, an economic legislative assembly. Theirs to arbitrate the producer's income, to consider all the factors involved and come to a reasonable agreement.

It might be assumed that in such an assembly the larger industries would dominate the small. The nations of the world, in competitive relations, gained little but trouble from such procedure and from those experiences is coming a new relationship which recognizes the best interests of all nations in fair treatment to the small. So in industry, the hope of justice, the compelling factor for justice, is a recognition by all groups, or a majority at least, that every industry is at the mercy of the others. Each must give fair treatment to receive it. To squeeze any group—the workers of any industry—is to lessen its buying power for the products of the groups that squeeze it. To limit the income of other groups, unfairly, is indirectly, to limit one's own.

In an assembly representing the economic interests of producers, where does the consumer come in? The answer is simple. All producers are consumers. When the representative of any industry rises at the round table to address the representatives of other productive industries he speaks as a producer to consumer, for it is in the capacity of consumers that they are interested in his product. He is pleading for regulations that will mean a fair portion of the consumer's income to the workers of his industry. The more his industry receives, the less there is available to the industries of his listeners, but on the other hand, the less the workers of his industry receive, the less their purchasing power for his listener's products. The best interests of all are in the happy medium for each.



Such an assembly presupposes the organization of producers into co-operative groups, owning their means of production in many instances and choosing their officers and representatives by approved democratic methods. Where they unite to avoid duplication of the machinery for handling goods—one group only for each community or for each commodity—we have organization on a basis in which business may be most efficient and most easily controlled.

Here in Western Canada agriculture is getting solidly organized on this basis. We have the Canadian Co-operative Wheat Producers, the Coarse Grains Pool, the Live Stock Pool, the Poultry and Egg Pool, the Co-operative Associated Fruit Growers and the Co-operative Wool Growers. There is a tendency toward consolidation in wholesaling, manufacturing and banking which, if properly controlled, is all to the good, for in it is efficiency and economy impossible by other means. What we need is to complete the organization of labor and of the producers of all industries on a co-operative basis and co-ordinate the producer groups.

Such an assembly would need to serve as an advisory council to the government, possibly for some years,—with the extension of producer's co-operation to the point where it would fairly well cover the whole electorate, it might, at some time, become a genuine legislative assembly. If we continue bicameral legislation, we might have the representatives of the economic groups in one house with the political representatives, initiating social and educational legislation, in the other. Each house could serve to check the other since the connection between social and economic welfare is so close.

But what of the organized consumers—directors of the Co-operative Wholesale Societies, whose business capacity has been equal, not only to the distributing trades, but to transportation and manufacturing, also? Are the organized consumers sufficiently protected by the consumer interest of the producer groups? We have, as a matter of fact, the same people belonging to each type of organization, but while consumer interests are identical, the experiences of the groups differ, one specializing in the problems of production; the other, more particularly, in those of distribution. The consumer organization should have most valuable information as to the public's need for various commodities, and this together with its knowledge of distributing processes should, without question, entitle the people to the services of its representation in this council.

A large unwieldy body should not be necessary. It is not so much to the point that the industries engaging the

most people should have the largest number of representatives as that every point of view be represented by the best minds available in both producer and consumer groups. There are needed no second rate persons who can be spared from factory or wholesale without being greatly missed. The need is for the heads of organizations, for this co-ordination requires the information and the judgment that can be procured only from the most responsible persons.

In such an assembly of the elected representatives of these democratic groups, there is no reason why their activities should be advisory or legislative only. It would furnish the contact for direct dealing so that when the consumer's buyer should say, "We will need so much wheat and flour this year," the producer's seller might reply, "We can supply you from here and there and since wheat and money reserves are now sufficiently established to stabilize agricultural income against weather conditions, we will name you a price."

In the meantime the representatives of other industries are asking themselves, "What will the effect of this transaction be on our business?" If there is an adverse effect, right then, before the deal is closed, is the time to object. Objections being disposed of, the deal might receive the assembly's O.K. If the principals to the transaction fail to agree, however, we have arbitration, not by a group of politicians, many of whom are incompetent, but by experienced heads of business responsible to organized producers and consumers; the finest group of experts that can be obtained.

Already we have a considerable arbitration of producer's income under the capitalist regime. Pensions of various kinds, income and inheritance taxes, revenue tariff and sales taxes, protective tariff and customs duties, banking regulations, government loans and relief. We must not think of "price-setting" as something peculiar to Socialism. We have an individualism that boasts "a fair field and no favor" and then goes into the national capital to seek protective tariffs,—protection for certain groups at the expense of those who buy their products. Another instance of income determined not so much by service as by power to make the consumer pay.

In the last chapter we touched on the inequalities of income due to the human element, strikes and over-production, manipulation of currency, machines. We have also to deal with the inequalities of nature, sickness, drought, flood and hail, insects, frost and rust.

We have people of matched ability applying themselves

faithfully to their tasks. Collectively they have produced enough for all. In many instances one deserves as good as another, yet some endure great hardship, while others have consummate ease. We are not asking any consideration for the lazy person sure to be mentioned in this connection. We are discussing those who work,—who sow but do not reap.

Two men come into a store. One buys comfort for his family and you've no quarrel with him; he deserves it. But here's another whose wife and children have stood back of him with great courage; he can't take comfort to them. Some of them may have a need for medical attention that is fairly eating his heart out,—he will not ask for charity,—what can he do? Who is responsible for this condition? Is it the heartlessness of nature or the stupidity of men?

There should be at this round table the power and the disposition to create conditions of justice, that a certain decent standard of living be available for all whose honest efforts have met with misfortune; that needed medical attention, for one thing, should be as available to every person as the public school is to every child, and for the same reason,—a recognition that in the inter-dependence of our relations the welfare of every individual is best served in the health and intelligence of the whole. *Note*

The price of commodities is indirectly the price of labor. The power to determine these prices, to arbitrate income, should be safe in the hands of such an assembly. Reserves created for the purpose could provide against emergencies. Having contributed to such insurance, either by assessment or by taxes, the receiver is not the recipient of charity if unavoidable circumstances make it necessary to draw for him from these reserves.

With special emphasis on labor engineering, clearing out the labor waste in industry, taking the labor surplus from the places of over-production, developing new kinds of production as the organized consumers may desire and making a study of the suitable adjustment of the individual to employment, there should come an era of contentment, not only in having remunerative employment, but in knowing that others are employed and protected against undue hardship, too.

When willing workers are idle, when the facilities of production are greater than those of consumption, a basic adjustment is needed. Shortening hours of labor to reduce production may help if it does not reduce income at the same time and so reduce the power to consume. With the desire for goods as great as it is and unemployment ready

to supply the demand it will be seen that the problem is mainly one of increasing the power to consume.

The lack of equilibrium between production and consumption shows that division of labor, assisted by mechanical aids, has outstripped, in efficiency, methods of exchange. The interesting thing in this connection is that to keep consumption up to production, to hold a balance, every producing factor must on the average, buy as much as it sells.

Suppose we have a machine that produces an income of ten dollars an hour at a cost of two dollars an hour. Impersonate the general public which comes along with what it has produced to exchange for products of the machine. "I'll sell you two dollars worth of oil and repairs and services," says the Public to the Machine, "then I'll have two dollars to spend for your output, but what will you do with the other eight dollars worth? How can I buy ten dollars worth of stuff from you when you'll only give me a market for two dollars worth of mine,—when I have only two dollars with which to buy?" It's like the trade balance between nations. You have to sell in order to buy.

Well then, suppose we consider the owner and the machine as one unit; the machine earns a lot more than it spends, but the owner spends a lot more than he earns, so we have a balance in the unit. That way we keep the balance between production and consumption, but if he hoards the money instead of spending it, the balance is lost.

He has an Alladin's lamp (these machines) whereby he can produce ten times as much as anyone else and he shoves his product into the market at just a shade under others' costs of production. What happens? He leaves ten men with their labor products in their hands—a demoralized market and no jobs. He puts his money in the bank and they go to borrow it to live till they can get re-established. Now a question: "Is the owner entitled to the full returns of his machines, on a human production basis, or has he a moral responsibility toward the men he displaces?—or if the state undertakes to protect these men from want, has he a responsibility to the state?"

As with machines, so with capital. Capital is in fact a machine. It doesn't cost much to keep it up, if carefully invested, so it shouldn't cost much to use it legitimately. Enormous interest charges in the cost of production and distribution,—the high wages of capital, considering the cost of upkeep,—are one reason why people can produce so much more than they can buy. We observe, then, that while cap-

ital is a necessary instrument of production, there is a limit to its need beyond which it is better for it to go into consumption than create more machinery for production to produce more goods than the people have the power to buy.

Now the owners of machines can consume but a fraction of their output. When production exceeds consumption, therefore, what ought they, in the best interest of the public, to do? Accumulate more capital and machinery to pile up the unconsumable surplus still higher? Or lower the wages of capital and the machines to the cost of upkeep and so reduce the price of goods that they may go into consumption, thus restoring equilibrium by increasing the consumer's purchasing power as he pays less for goods, or higher wages to man power and lower wages to the machines. It should be a simple thing for the business experts of our industrial assembly to balance production with consumption. If production exceeds consumption, lower the excess charges of the machinery of production; if production can't keep up to demand, raise its wages enough to provide more productive machinery and so supply the demand.

So in regard to individuals. There's a virtue in thrift up to the point where we protect ourselves against being dependent on others; then there's a virtue in spending to create enough market for others to keep them from depending on us.

Individualism puts the cart before the horse; we work from production to consumption, instead of charting our course of production from the consumer's need. The law of supply and demand doesn't work smoothly, when left to itself, —it jerks back and forth to extremes. High priced production attracts foot-free labor which eventually over-supplies the market, bringing low priced production, which in turn scatters its underpaid labor, lessens the supply and so alternates between extremes of under and over supply—of high price and low price—business cycles we call them—that keep industry in a constant state of discomfort. It's this idea that we're free to do as we please, as and when we please, that is the cause of these cycles. We forget that division of labor and exchange of products require team work to make them effective.

So we have a plan for working together. Producers and consumers organized in groups which meet at the round table to co-ordinate their activities in an effort to secure justice—"from each according to his ability; to each according to his need."

Nature has provided a pattern, an ideal well worth de-

veloping in our industrial organization, in the physical home of the normal human being. Compare the different aggregations of cells such as heart, lungs and liver with industrial producers' groups, as farming, mining and manufacturing. Imagine these cell groups of the vital organs, each, following our ideals of industrial freedom, each divided into a number of smaller competitive units, a lot of little hearts and lungs, perhaps, all trying to go it more or less independently and, therefore, more or less blindly; allow for co-ordination of some units and lack of it in others; see what a kind Providence might have done had it applied our ideals of industrial organization to ourselves.

Then reflect on the careful co-ordination of the vital organs to properly time and purify the blood stream, the medium of exchange; to supply it with nutrition and the proper gland secretions, not over and under produced, but all subservient to and in accord with the need of those millions of the body's living cells, the consumer's need.

Industrial co-operation may follow that pattern. Its starting point is human need. The services closest to that need are distribution. These come first, gradually working back through retailing and wholesaling to manufacturing and production. The dominate impulse through all the processes, the managing control, originates in and continues for that first need.

## VII. Merchandise Credit

There is a considerable difference in long term credit, secured by mortgages or lien notes, and the general run of supposedly short term merchandise credit, a moral hazard depending mainly on the integrity of the borrower. One has tangible assets behind it. The other is, for the most part, a character loan for consumable goods, food, clothing and the like, which soon disappear.

Our Association organized with the idea that cash prices should be lower prices; that cash purchasers were discriminated against by the hazards and the higher prices of credit. Practically, we found a situation in which credit, as a competitive proposition, seemed difficult to avoid. We had no desire for long credits, but for the patron who supported his business with cash most of the year and who desired credit during harvest and threshing, especially when retail credit could be supported with wholesale credit, through this period, it seemed difficult to refuse. Bank credit is the logical solution for this short term credit, but there is no legal recourse to prevent a merchant lending goods or money, and if one does it, it puts the problem squarely up to the rest.

Since competitive conditions are responsible for a considerable volume of banking in the hands of merchants, it is only natural for the banks to accept as many of the good risks as will come to them, leaving the poorer class of risks to their merchant competitors. While these merchants have many good risks, who, since merchandise credit is available, will choose it as a matter of convenience, they are likely to have most of the "speculative" risks also, the kind which may "come good" and may not. This should suit the banks fully as well as to feel that they are responsible for that class of business. It would appear to be good business for them to lend to wholesalers and merchants what those firms lend in turn to consumers, thus allowing the merchants to carrying the burden of such losses, rather than to shoulder it themselves.

One cannot charge the banks with the sole responsibility for giving credit when independent merchants have deliberately chosen to share it. If, on the other hand, the banks are eminently satisfied to have the most hazardous credit sifted through the hands of merchants; if it happens they really prefer it that way, it makes it difficult to accept the



conclusion one frequently hears that no one is entitled to credit who cannot get credit at the bank.

Of course that doesn't mean a business without sufficient resources should give credit. It raises the question as to whether such a business can meet a short and closely restricted credit competition; whether the people who can get bank credit will choose it in preference to even a very limited merchandise credit at another store. As a business proposition, it's a balancing of the gains of cash business against the losses of reduced volume and the increase, per sales unit, in operating expense.

Credit, as an established custom, isn't easy to get away from. Like children without discipline, we older children have taken full advantage of our credit privileges; we've imposed on them, in fact, because we also have been without discipline. We have given discipline, rather than received it,—frequently in pretty stiff doses. All we have had to do was to edge up to our favorite store-keeper and inform him very politely that we need a little credit. We'd like to continue dealing with him, but if he doesn't feel he can accommodate us, why,—well, we've had a tip from his competitor,—we can get credit from him.

To go to the bank is to obligate oneself to the bank. Many expect credit from the store, not as a favor, but as a right. "Think of the money you've made from my business," is the attitude. "I've favored you. Now you favor me." Many, through lack of merchandising experience, fail to realize that when they fail to keep faith in prompt short term payments the loss of discounts and the use of cash may rob the store of more than the entire gross profit on their trade.

Anyway our Association decided to give temporary accommodation, as we called it, a trial. A special by-law was passed, signed by three-fourths of the shareholders, making it legal under the Saskatchewan Co-operative Associations Act to give and receive credit and to be responsible for credit as would any other business. Now, after several years, we have not only the opposing theories of "low overhead on large volume" to balance against "no credit losses or costs of collection," but we've had a little experience and while a difference in good or poor crops, or other circumstances making for a large or small income, might lead to widely different conclusions, we can but give our experience in the hope that it may have some worth.

Our business increased at the rate of ten to twenty-five thousand dollars a year; from annual sales of \$50,000 to

\$141,000 in five years. Until the last two years the carry-over of customer's credit was never up to \$5,000. Then a bad frost, the worst in ten years, cut wheat grades badly and practically ruined crops on low land.

That year we carried over unpaid customer's accounts of \$11,936.32. The next year (1928), spring rains delayed until the middle of June, bringing the crop in so late it was badly frozen again, and although the yield was such as to tax elevators and railways beyond capacity, the low prices following the large yield, together with the still lower prices of frost grades, left producers in a worse position than before. There were over the year end 229 customer's accounts amounting to \$20,822.05. At the middle of the following July there were still 96 customers with \$10,915.95 of this six to eight months overdue, while \$2,764.00 from 34 customers was still outstanding from the \$11,936.32 of 192 customers carried over from 18 months before.

An analysis of the \$19,141.47 accounts receivable from 260 customers, this same middle of July showed causes for credit, as nearly as the manager could determine from a fairly intimate knowledge of the accounts, to be as follows:

Cus- tomers	Percentage of the whole	Cause for Credit	Amt.	Percentage of the whole
8	3.07%	Sickness and accident	698.05	3.64%
15	5.77%	Exceptional hard luck		
		Hail or frost ....	2,373.65	12.92%
25	9.61%	Over-extension in		
		business .....	2,364.00	12.35%
11	4.23%	Booze .....	1,151.45	6.01%
35	13.04%	Incompetent manage- ment .....	3,509.45	18.33%
22	8.45%	Laziness and neglect	527.05	2.75%
19	7.30%	Purchase of fine cars, radios, etc. ....	3,445.10	18.00%
125	48.07%	Current accts. incur- red within 60 days	5,072.72	25.97%
260	99.54%		19,141.47	99.97%

The need for credit, the capacity of our people to properly use credit, is revealed in these figures with surprising directness. Approximately 50 per cent. of those who were indebted to the Association were making a legitimate use of only 25 per cent. of its credit. Another eight or nine per cent.

(in the first two causes) were using 16½ per cent. through unforeseen circumstances over which they had no control. Such accounts should properly be carried by all the people, as suggested in the previous chapter, rather than by those who trade at any particular store. As soon as people are aware that they need relief they should approach the muni-

cipality either to borrow or to obtain relief otherwise, rather than to take merchandise without a prospect of paying, leaving the manager to wonder whether the store is making a sale or a donation. He has no right to make a donation, since the money he is using is not his own.

Forty-two per cent. of our debtors (taking the next five causes) were misusing 57 per cent. of our credit. Not deliberately, but indifferently. A very few seem to have no conscience, but these don't get far as a rule before they are shut off. What is the trouble? People over-estimate their resources in spending the crop before it is cut. They over-extend in the purchase of land and machinery, at the expense of current creditors. They buy expensive cars, about 10 per cent. of those who misuse credit, binding themselves to finance corporations that beat the grocers easily in collections. They gamble on eventualities at the grocer's expense. The finance corporations don't gamble, however. They tie them up so tight they (the corporations) can scarcely lose. We who supply them with necessities that are eaten, we who trusted them with accounts that should be first claim on their new crop money,—we stand by empty handed, or nearly so, while they pay others what, by every moral consideration, should belong to us. Pay because they are scared. Pay to avoid the disgrace of having something taken away.

Why were we so easy? Just because we were afraid if we didn't sell those goods without cash or security, Jones would. Because we were afraid to press for payment lest they leave us and start trading with Jones. Why give this unwarranted credit that injures the customer in leading him to overbuy,—destroying his sense of honor, his assumed obligation to pay more than he can pay; destroying his independence by keeping him in slavery to his creditors—why persist in this credit that injures the merchant by putting him through a vertible hell to finance, destroying his sense of honor and his independence also—that injures the general public by adding these costs to the bill. Why do we do this?

There is only one reason. This boasted competition that is supposed to keep prices down by keeping merchants at each others throats,—here it comes back to keep prices up by granting credit to those who have the nerve to shop around for it at every store; by granting credit to the appearance of prosperity without getting beneath the surface, like a bank, to see how genuine it may be; by granting in merchandise loans, even to trustworthy customers, the funds that should be financing a complete and up-to-date stock; by exhausting in "collections" the nervous energy which should

be given to improved distribution.

This independence that we like to imagine as bringing on price wars between merchants, bringing such wonderful bargains, proving our intelligence in supporting competitive methods and their lack of it,—how that same independence swings back on us in credit losses that far exceed the temporary advantages of a few bargain counters.

There is too much optimism in mortgaging future income—not enough allowance for emergencies. Sometimes reverses come with one blow after another to bury an account beyond all hope of recovery. For years people struggle to get out from under debt that should never have been incurred. They tell you they wish they had been compelled to undergo temporary hardship, rather than to have been allowed to assume their almost hopeless burden. It leads us to question seriously the value of credit,—this over-extended merchandise credit a merchant fears to question lest he loses a customer's good will.

The most natural thing in the world is to want to extend a helping hand to young people,—to the young married people who have so many calls on their limited resources in setting up a home. They are appreciative. They are the foundation of the future and their good will is a priceless asset. Here in the formation of their purchasing policies is a question of greatest importance. If they cannot live within their income at first, what will happen later? Let them spend beyond their means—let the grocery bill run to meet payments on the new car—what happens? We lessen their independence, mortgage their future, break down the discipline that makes for self-reliance and self-respect. Is credit a helping hand, or a curse?

The difficulty, as indicated by our analysis, lies not so much in keeping up to a standard of simple and wholesome living, as in keeping up to the complexities of modern life. No need to be too impatient to enjoy the privileges and luxuries which come to our elders only with the hard effort of a life's savings. We should live as well as possible, but within our means.

How many co-operators consider the giver of the credit they receive? Throw back the screen and look into the Co-operative Directors' meeting, behind the scenes. They have before them a list of accounts receivable from customers and accounts payable to wholesalers and other creditors. One name after another comes before them. The record of the previous months is there. Why is this person or that always behind? Why has this account shot up so suddenly and

then payments and business ceased? Why do people who have suffered serious misfortune keep to a cash basis, while others, with apparently less need, run behind?

Who are the people, in co-operative organizations, who make possible the giving of credit? None other than one's own neighbors. These neighbors are subject to the same banking conditions, the same credit restrictions, as others. Each has his own load to carry. Will the casual customer ask them to carry theirs and his too? Unless there are ample reserves, these neighbors must put up the funds, either their cash or their credit. Manager and directors have a vital responsibility, for they owe it to these neighbors as well as to wholesale creditors, to protect them from unreasonable hazards.

Abuse of credit is an imposition on many people. There are manager and staff, directors, shareholders, guarantors, the patrons who suffer through impaired service and the wholesale creditors and the banks. The customer's broken promise, direct or implied, to the retailer, is his promise broken to the wholesale credit manager, whose job depends on his ability to keep the money coming in as the goods go out. An empty stomach may be hard on a poor credit risk, or one who is slow pay, but if he can confine the suffering to himself he will save financial anxiety to very many people.

A man of more than ordinary success in farming and in community leadership offered testimony at a public meeting, some time back. "I was able to borrow plenty of money when I didn't need it," he said. "There came a time when I needed it, seemingly the worst way, and I couldn't get a dollar. I got through and the experience convinced me that others can get through and be the better for it."

Co-operative organization is association for mutual self-help, not a wagon for part of the members to ride on the labor of others. We have assisted people, as we thought, who seemed to need it, as we thought, and then we've come to the place where we've had to say, "This must stop." Someway these people who we thought were up against it have managed to help themselves. We've had to take ourselves in hand this year, this tough year of all years, when wholesale and bank credit have tightened up, and we find that not only have we had to keep practically to cash basis, but (thanks in part to the newly arrived Pool Elevator securities with which we have reduced customer's accounts by \$5,000) the twenty odd thousand dollars outstanding from patrons a year ago has actually been cut in two. Now if people can keep to a cash basis in a year like this and re-

duce their old obligations (thanks again to Pool payments on the previous year's crop) where is the need for merchandise credit in the ordinary year?

It's a problem of many problems, but there are a few things that stand out clearly. Credit, unbalanced by physical assets, is highly speculative and hazardous and should be reduced to a minimum, not by direct elimination more than by elimination of causes that bring people to such a precarious state. Prevention, rather than cure.

"Easier to keep up than to catch up" is a slogan nearly every one might paste in his hat. A good thing for a creditor to keep in mind, too, when dealing with irresponsible people. Better temporary hardship than inescapable debt.

Then in the case of a young business like ours we should not let ambition run away with good judgment. It's easy to run large sales at low prices, on time. It's an easy way to put oneself in a position to learn a tough lesson. To give credit requires resources. It takes time to build reserves. How can a young business give credit from reserves it does not possess? People of good judgment should know better than to expect it, but many, to be frank, have very little judgment. They've kept their eyes shut and they've been spoon-fed. Fed by competitive tactics that nearly ruin independent merchants,—fed in such small doses by the same tactics that they're never satisfied.

Merchants claim people are not appreciative. Co-operative methods, co-operative responsibilities, develop interest and intelligence, however, turning ignorance into reasonable expectation as people find the way to greater efficiency and abundance in mutual self-help. This is evident in members of the Wheat Pool who are much more intelligent than they were about marketing wheat; much more reasonable in their outlook on prices as they understand cause and effect.

So we've come to be more conservative. We set out to give temporary accommodation and it ran into long term stuff, ran away from us pretty badly and rather needlessly as our analysis shows. We've taken in a lot of slack this season under very difficult conditions; it has cost us possibly \$1,000 in diversion of sales energy and car expense. It cost us upwards of 10 per cent. to sell the \$10,000 worth of goods for which we have collected; now we're out another 10 per cent.—a loss of 10 per cent. to collect it. Of course we've had tough conditions, but then we look at our analysis and we see that shouldn't have made so much difference.

We shouldn't mix banking and merchandising. Credit giving is a business in itself. The average retailer is too

busy to give it the attention it deserves. If present banking facilities are not sufficient, we should have a separate organization for co-operative credit.

Yes, some of you who read this, you haven't abused credit and you may be entitled to credit, but your store is the wrong place to get it. Your manager has too much to do—he is carrying bonds for the payment of too much money to do justice to saying "Yes" to you and "No" to others who are so near the danger line he doesn't really know whether to say "Yes or "No."

A little experience of ours will illustrate one of the difficulties. We had a customer who was scrupulously careful in keeping up his account. We had another who was considered "good" but was lagging seriously. He had promised us a reduction from the proceeds of a loan at a certain time and we were carrying him along as lightly as possible in the hope of the promised liquidation which would save our account with him and also his good will.

His account was away in the lead of any other,—nearly \$500 at the time; he was our black sheep, we didn't like it, we hadn't intended to let it get that way, but we were afraid if we cut him off before the promised liquidation he would go elsewhere and leave us "holding the bag." A green clerk, mistaking customers, carried forward this man's balance on the careful customer's bill and what happened?—before long the bars were down and in about a year, to both his sorrow and ours, this good man had passed the outlaw account in the size of his bill. Neither of these men owes us a dollar today and we have no account as high as \$500, but a great many of our people are stretching every resource to pay cash,—do you think they'll tolerate credit to others less deserving? In its implications and applications don't you see what a trouble maker merchandise credit may be?



## VIII. Consolidation

Buying power—the driving power of industry.

Buying power scattered promiscuously among competitive merchants is like the steam James Watt saw lifting the lid of the teakettle. It means about as much to sleepy people. What they want is boiled water. What they want is goods in exchange for their dollars. It never occurs to them that in the use of that dollar is the power to vastly increase its performance, to control the wheels of industry—the whole world of commerce and industry—with an iron grip; that in this control is a bloodless revolution more far reaching in its effects than the industrial revolution that came with mechanical steam.

The harnessing of this buying power by consumer's organization replaces the profit motive of capitalism with the consumer's desire for service; it marshalls the great body of producers in order and efficiency, as opposed to anarchy and waste; it enables people to work together with some regard for each other, using the reserves of its concentrated power to map out and develop new remunerative fields of endeavor, thus relieving congestion in the overcrowded trades and professions where each is impelled to ruin others in order to save himself; it means a spiritual regeneration in humanizing and harmonizing business with the principle of loving one's neighbor as himself.

All this doesn't happen in a day. Perhaps no one is more conscious of deficiencies in a business like ours than those held to be responsible, those closest to the center of the wheel. They know reasons sometimes not known to others. Inexperience, inadaptability, finance problems make themselves felt in a variety of ways. In competitive business the buyer takes what is before him or leaves it. If he isn't suited at one store, he goes, quite properly, to another, but in his own business the trouble should be approached from the inside. He has invested in co-operative endeavor for the purpose of getting certain services. If he isn't getting those services, he has the right to go to clerk, manager, directors or annual meeting to get an explanation, or to offer constructive criticism. His is the opportunity to improve his business. To leave it is to weaken and destroy.

Loyalty comes not alone from what we're doing, but from what we've set out to do. Henry Ford expresses it nicely in "Today and Tomorrow," written in collaboration

with Samuel Crowther. "If we have good steel today it is because the public bought steel when it was faulty and thus helped the steel masters to perfect their science. If we have comfortable transportation today it is because people were willing to pay for uncomfortable transportation and let the system grow up. If we have swift, durable and dependable motor cars today it is because people bought motor cars when they were largely in the experimental stage. If we have the varied products of petroleum today it is because the people bought and burned "coal oil" and by their confidence and patronage set the oil industry on its way to world-wide service." If we are to have efficient and servicable co-operation tomorrow, we might add, it will be because co-operators have had some patience and forbearance, while we're building the machinery today. We have before us a magnificent ideal. Let us not be discouraged by obstacles in the way.

When you come to town do you like to find a fairly wide range of goods in one store, or do you like to leave the bulk of your order in one place and travel from one store to another to find the rest? Do you like quick, prompt service from well kept stocks by clerks who know what they have and where it is and its price? Would you like to walk from one department to another under one roof, or do you prefer to get out and walk up one street and down another in dust, mud and extremes of temperature? Wouldn't you like to save half the time and labor of shopping and at the same time save money? You're a bit incredulous? Yes, under competitive conditions this is too good to be true.

A man inquired for oversizes, 48 or 50, in overalls recently. He said, "I've been in every store in town and can't get them." These sizes are called for so rarely that our four small grocery and dry goods stores can scarcely afford to stock them. A single large store could. There is enough demand in the community to make one stock pay, but not enough to make four stocks pay. So he couldn't get them.

The holiday season is over and we could still sell a moderate amount of cranberries, but if we bought a full case part of them would spoil. A merchant up street was saying yesterday that through slow sales he lost part of a stick of bananas. So did we. Competitive conditions bought two sticks of bananas, where one was enough, and then threw one away.

The small general store where each of the staff is supposed to know all about everything isn't in it with the de

partment store for service. If you scatter widely, you can't go deep. Suppose a customer wants paint. Does he prefer a department where one man concentrates in a large paint business, where he can choose from a wide range and get expert advice in answer to any question, to three or four small stocks, each in charge of men, who, however willing, are too burdened with other interests to give paint the attention it deserves. In small places he can't have both the big store and the small ones. Which shall it be?

Stocks of general merchandise in Aneroid,—groceries, dry goods and hardware,—approximated \$80,000 in five stores when business was better than it is now. A properly handled stock of a little more than half that amount, \$15,000 in each of these three lines, could have given better service. If one-tenth of the funds now idling in over-lapping stocks were invested in moderate stocks of the slow sellers people now send away for, there could be a very noticeable improvement in sales and service.

Such an improvement has taken place at Davidson, Sask., a town of 800 or so, where a little Co-operative started with first year sales of \$10,000 sixteen years ago. Sales 1927 and 1928 exceeded \$400,000 a year and the service is as much a sensation as the sales. You may buy varieties of cheese at the "Co-op" in Davidson that we in smaller stores elsewhere haven't even heard of. You may get the oversizes in overalls, or the latest in clothing or shoes. Davidson has a very good rival in the Lloydminster Co-operative where sales, together with live stock shipping, exceed \$400,000 a year. The largest Canadian Consumer's Co-operative is the British-Canadian Society at Sydney Mines, Nova Scotia, where annual sales now approach \$2,000,000 a year.

Suppose the buying power centering on Aneroid could be mobilized; the consumers organized to concentrate their business in one store,—to purchase the five stores in groceries, dry goods and hardware in order to eliminate competition; dispose of say three buildings for residential or other purposes and sell off the surplus stock. What might the savings be?

Interest on reduced stock of \$35,000 at 6% .....	\$ 2,100.00
Fire Insurance saved on \$35,000 stock at 1¼ % ..	437.50
Four clerks from aggregate staff, at per month,	
\$100 .....	4,800.00
Expense for each of three stores—	
(a) Light and fuel .....	\$ 200.0
(b) Advertising and telephone.....	100.00

(c) Interest and Fire Insurance on buildings and equipment .....	350.00	
(d) Annual depreciation, same ....	150.00	
(e) Country driving and misc. ....	200.00	
		<hr/>
Three times .....	\$1,000.00	3,000.00
Savings in freight, quantity discounts in buy- ing, etc. ....		1,000.00
		<hr/>
Estimated savings .....	\$ 11,337.50	

An increased Co-operative investment of \$45,000 for stock and \$15,000 for buildings should be sufficient for the present to provide for the community's needs. The estimated savings are reasonable and conservative and at \$10,000 a year would be sufficient to retire the first investment in six years, with \$1,137.50 yearly, additional, to cover costs of readjustment. Terms of purchase should be such as to provide for reduction of the surplus stock and resale of unneeded buildings and facilities, if possible without additional investment and within a few months or a year. Taxes haven't been counted as savings for the schools and public works must continue to have revenue; the tax rate on assessed valuation might be a little higher, but the cost would be no heavier when figured in relation to sales.

Some might consider the situation we have outlined as applying particularly to small towns, but the duplication in stocks, buildings, equipment and advertising is noticeable everywhere. The situation is as stated by Earl C. Sams, President of the J. C. Penny Chain Stores, at the sixth conference of major industries at the University of Chicago, recently. "If half the retail stores were closed the other half would still not be utilized by the public to 100 per cent. capacity," he said. "This duplication of selling facilities has been going on so long that we have adjusted ourselves to the waste and think there is something good about this ridiculous, outworn, competitive system."

How may consolidation be accomplished? Two or three who desire to purchase together may be the beginning of a Consumer's Society, but Co-operative Consolidation is an advanced step to be taken only when people in general are grounded in Co-operative principles; when they understand and have faith in the democratic organization of industry and are willing to work to adjust unsatisfactory conditions with patience and tolerance from the inside, rather than by violent exhibitions of temper to people without.

Do you think the prospect discouraging? We in West-

ern Canada see one thing that gives us hope. We see the membership of the Wheat Pool submitting to the democratic discipline of mass organization very successfully. Many didn't think it could be done, but it is being done; it's going better—thanks to the character of its leadership and the increasing intelligence of the rank and file—every day.

When there is a favorable sentiment for consolidation, when the people have discussed it with merchants and among themselves, when the merchants have considered whether they sell on terms at which it will be possible for consumers to buy, then will be the time for a thorough canvass of the purchasing power of the community.

Would you sign this: "If in a meeting specially called for the purpose, the members of Our Town's Co-operative Society vote to accept a proposition for the consolidation of grocery, dry goods and hardware businesses, under consumer co-operative ownership and control, you may count on me as a member to invest \$..... in cash and to give my note or other guarantee for \$..... to be used for this purpose, and further;

By virtue of my responsibility as a member; for protection to my neighbor's undertaking in this matter, and in return for his similar protection to me, I hereby give notice of my intention to make all purchases of groceries, dry goods and hardware, made by me in our town from Our Town's Co-operative Society, nor will I purchase such goods in any considerable quantity elsewhere without reporting to the President or Directors as to why I have chosen to turn from this community endeavor to non-co-operative channels with my trade.

Signed.....

How finance consolidation?

Share capital is the first way. Shares vary in size. Our are very satisfactory at \$25.00. Occasionally members pay but 20 per cent. to 40 per cent., leaving the rest subject to call. When paid share capital is not sufficient, there is the five to ten-year method mentioned in Chapter IV. We hope for a Co-operative Trust organization to assist with such financing in time.

Suppose a \$60,000 loan capital available to be paid at the rate of 10 per cent. of the principal, with interest on the unpaid portion of the principal, each year. As security for this \$60,000 we might obtain accommodation notes from good credit risks for \$80,000, thus creating an additional liability of \$20,000 on the guarantors against the possibility of weakness in some of the notes.

Secure from each of 160 members 10 of these accommodation notes for \$50 each, all interest and one note to be paid each year for 10 years. Take 10 notes of \$6,000 each from the Society, one note and all interest to be paid each year. Assign loan creditor the \$50 accommodation notes from members (aggregate \$80,000) as collateral security to the Society's own notes of \$6,000 a year for 10 years. Return the \$50 accommodation notes to members as the Society meets its obligations in full, but call on these notes for the balance as they come due, if the Society fails to make good. In spreading such a liability, moderately, over a period of years, few members would assume a hazard beyond their ability to pay.

It isn't a question of possibility, this matter of consolidation. It is a question of whether people believe in it enough and desire it enough to give their allegiance to it, to get behind it and put it over and to defend it loyally with their patronage until it is well away.

To mention it is to hear objections from two sources.

One is from consumers whose idea of a co-operative store is that of one more competitive store. They haven't sensed the advantages of the greater co-operation, the savings of the wastes of duplication; the humanism that would rather extend hands across the street than black looks and jealousy and suspicion. Like Nicodemus, they haven't sensed the fact that it isn't a new alignment of the old competitive forces. "Ye must be born again." It's a new outlook, a revolution; not a new alignment, but elimination of the old competitive forces.

These people believe in competition. They merely think they've been getting the worst of it. They are Co-operative Wheat Producers, but they are afraid for co-operation among the Producers of Distribution, so they've decided to get into the game in order to get a price leveling influence on the inside. They don't believe in putting the other stores out of business. They will tell you that. They don't intend to do all their own distributing. They want just enough of a store to be a watch-dog, a price policeman and then when cut-throat competition gets fast and furious—how they enjoy that—when they have low prices with as high class service as is possible in competitive conditions, then they'll look to the manager with wide expectant eyes; why should they not have fat dividends beside?

When a grocery store closed here some years ago a couple of merchants rented the building for a time, to keep out competition. Consumers felt that the object was to keep

the price level high. Wheat Producers do that, too. They would like to get all the wheat in one bin, figuratively speaking, to eliminate selling competition among producers, not to keep the price high,—that's a poor way to put it,—to keep the price from getting too low.

Perhaps that's what these merchants wanted. In common with the Wheat Producers, they might be given credit for another motive, however, and that might have been to keep down expenses. If the business that went to the closed store was diverted to the others, between buyers and sellers there should have been a community saving of all the operating expenses but rent,—a saving of perhaps \$3,500 against a rent of possibly \$500 in the expense of running that store. That's real co-operation, only it doesn't go far enough. The producers of every kind of service, whether growing wheat or distributing goods,—why can't they all co-operate together, each in the best interest of the whole.

The other objection comes from clerks and merchants who are afraid of losing their jobs. Such as are needed could be retained in the new organization, which might also exercise a helpful influence in such financial support as might be necessary till a readjustment could be made. The problem is one of readjustment, rather than unemployment. In our estimate of the savings of consolidation, wages were less than half the total savings. As the four clerks step out of their old positions, as consolidation takes place, the purchasing power of the district is increased by \$10,000 a year. Ten thousand dollars worth of new merchandise must be made and distributed. Can these four clerks do it? This is the answer to the problem of unemployment.

This isn't all. Thirty-five thousand dollars is released from investment in stock. More capital is released from merchandising, as store property becomes some other kind of property. Large sums of capital in the aggregate, become available for developing new and useful enterprise.

We have one kind of consolidation taking place in the chain stores. Some are large corporations. Some are independent merchants engaged in co-operative buying. It's a step in the right direction, but it hasn't solved the problem of the competitive waste in each town. The biggest waste of all, the biggest leak, is still wide open.

Suppose we belong to a chain. We don't care to buy a full car of sugar, or salt, or even apples in a year like this, at one time. We split carloads with members of the chain in other towns. Why not have a chain in our own town, ship whole carloads here and save the extra freight that



comes from splitting cars between towns? Suppose we have three or four different chains represented here, each with its own line of advertising, its own postage bills for distribution, etc., every week. Why not cut the expense of this advertising in three or four?

Who pays these high expenses? The same people who can stop them, or reduce them materially if they wish. Merchants with their experience may help them to it, but no one can stop them. They can do it just as thoroughly and as quickly as they can concentrate their buying power. Do they kick about prices and service? Whom shall they kick, but themselves?

The Retail Merchants' Association fosters a spirit of co-operation among its members. Merchants may feel that they would like to co-operate among themselves to effect these savings. To do the thing right they couldn't stop short of amalgamation. They couldn't keep four or five stores going, four or five stocks, where one would do. They have no hold on that all-important buying power. A consumer will be loyal to his own business through a bad time in order to right it. But let him get dissatisfied with a private monopoly in which he has no right or control and what will he do?—what can he do but send to a mail order house or find relief in other places? There must be consumer control.

Take the matter of price fluctuation. How can there be uniform fair prices, save in closer co-operation than is possible between two independent merchants? A few days ago we special ordered a half dozen large steel traps for a customer who didn't take them. We didn't want those traps. We put them on sale at cost. People who saw them at our store began telling a neighboring store about the outrageous price of their traps. We were not out to hurt them. Our price wasn't out of line for us, but it was out of line for general retailing.

This illustrates the constant disparity in prices, the constant variations that occur as different merchants use different portions of stock as sale leaders, none thinking of any but himself; a lack of uniform fair prices that leads the consuming public to question the fairness of almost any price and tends to make many of them extremely close and tight in their dealing. Unduly low prices on some goods means unduly high prices,—or going out of business,—in others. Why not have uniform fair prices? But how, other than through co-operation to an entirely non-competitive degree?

Think the problem through for yourself. Division of

labor and exchange of products are the elements of a new civilization, not by individual piracy or industrial anarchy, but by the co-ordinating influence of each for all and all for each, as in the cells of the human body, by direction and control of consumers,—organized consumers, for whom this machinery exists and to whom it should be subservient. How else can these things be?

The writer had the privilege of attending the Provincial Retail Merchants' Convention at Moose Jaw, last summer, by invitation of a competitor, one of our business friends up street. Harry Newman Tolles of the Shelton School of Business in Chicago, was invited for the occasion and did much to promote a genuine co-operative spirit. The spirit of the future, the basis for co-operative consolidation, was epitomized in a song we sang there. "For your friends are my friends and my friends are your friends;—the more we get together, the happier we'll be."

## IX. Ethics

Most people, after all, have a conscience,—a philosophy of life with standards of right and wrong. Many get their ideas as a matter of imitation. Others think their way through.

Co-operation is based on the belief that people will respond to good treatment. We have to consider the differences in home influences, in judging people, and the effect of those influences on future action and experience. To judge others wrong by our standards is not necessarily to think they are untrue to themselves. As an understanding of their environment helps us to understand them we develop a degree of tolerance and even good fellowship; we overlook a number of things to unite on the things essential to our mutual well-being,—to harmonize in working together.

The big thing in the co-operative movement is the fact that all its activities may be made to conform to the highest standard of ethics. It seeks to reconcile business practice with a morality founded on justice. It seeks not to deceive to gain its ends, but to educate; not charity for those in need, but opportunity; not the industrial hogtrough, but labor engineering,—to prevent crowding, to provide a situation in which the needs of self preservation are so generally met that there is time to be thoughtful and leisure to get away from self to a helpful interest in others.

Capitalist organization tends to concentrate wealth in the hands of a few. The rules of the game are such that capital is given greater powers than it merits. Every producing factor, as we noted in Chapter VI, should create a market for goods proportionate to the amount it markets. Capital as a producing factor has wages so much higher than its cost of maintenance, the cost of maintenance is so much less than it receives, that it throws the market out of balance, a balance unfavorable to the human factors in production.

The co-operative method concentrates capital, too, but it has in it a balance between production and consumption, for when it has retained from surplus earnings enough to meet the need for increased production, it turns the rest back to the consumer in patronage dividends. Suppose capital receives \$100 in interest, at a cost of maintenance of \$40.00. Production and consumption fail to balance by \$60.00, the amount of the surplus. Suppose \$10.00 is required for new

productive purposes. That leaves \$50.00 to be distributed, either as capital or patronage dividends.

As capital dividends it may go into consumption, or it may go into further savings in the great body of capital, which, as we have mentioned, is increasing so rapidly it fills the stream of production faster than people can buy. As patronage dividends we have this \$50.00 returned to the purchasers who paid the \$100.00, thus reducing their interest rate on the use of co-operative capital and increasing their purchasing power. Of course they may use it for savings, but the fact that the dividends go to those who are spending, rather than to those who are saving, indicates the greater probability of them going into circulation to create the livelier markets which are industry's present need. As between people who are saving and those who are spending, we should judge the needs of the former were more fully satisfied than those of the latter. Where capital dividends tend to concentrate private wealth, patronage dividends tend to equalize it, to distribute it where it will serve the most immediate need. Judged from the standpoint of public welfare, the accumulation of huge individual fortunes is unnecessary. While production exceeds consumption there is no need for piling up more productive machinery, nor is there a need for increasing the purchasing power of those who already have more than they need. People who want more than they can use are like the dog in the manger. They can't use it themselves, nor do they want others to use it.

We hear it frequently said that it wouldn't be long after an equal distribution of wealth till we should again see extremes of riches and poverty. For the spend-thrift and the miser this might be relatively true, but the great middle classes are neither spend-thrifts nor misers. The patronage dividend favors these classes for net surplus reverts to consumers, the human factors in production, rather than to the mechanical factors, capital and the machines. It isn't inherent in human nature,—these extremes of riches and poverty,—it's inherent in the rules of the game.

Many consider capital entitled to high earnings because of investment risks, but in co-operative organization these risks largely disappear. In capitalist organization, or the lack of it, the cycles of over and under production produce a fluctuation in the earning power of stocks that keeps their market value bobbing up and down like a cork on a fish line. The power to command income, not the amount of the original investment, determines the value of the stock.

In co-operative organization the speculative fluctuation in value entirely disappears. Cycles of over and under production should be greatly reduced by systematic organization and such fluctuation in production as occurs through the bounty of nature, or other causes, is reflected in increased returns to the users of capital, not to the owners in increased value of the stock. Man power, rather than money power, benefits. Owners, on the other hand, are protected in their values by allowances for depreciations and reserves.

Thus, the Wheat Pool members' investment of \$20,000,000 in Pool Elevators Limited will never be appreciably higher in value, nor is it likely to be less, for depreciations (even now \$800,000) sufficient to keep the values intact are taken from surplus before patronage dividends are paid. Every dollar in these stocks is a dollar actually invested. The investment is as good as the people's need for wheat. But to return to the question of high interest for investment risks. In all the stocks which serve a continuous and definite need, why call for speculative rates of interest where there's no need for speculative stock?

What has all this to do with ethics? Just this, that the laws and customs of our economic relations are the principles of our ethics, regardless of what we profess. We cannot draw a line between moral and economic questions. The moral spirit lives in the economic body. How can there be a fine standard of character in an ill-cared-for body?—a body wracked with competitive convulsions, suffering at the same time, in different parts, with mal-nutrition and obesity, —a house divided against itself? The body needs an overhauling, better co-ordination of its parts, better hygiene.

Many of us have two codes of ethics, a Sunday code and a week-day business code. The Sunday code answers "Am I my brother's keeper?" in the affirmative; in fact, love for God and the neighbor are the gist of the code. "Thou shalt love thy neighbor as thyself. Whatsoever ye would that men should do to you, do ye even so to them. Seek ye first the kingdom of God and his righteousness and all these things shall be added unto you. What shall it profit a man if he gain the whole world and lose his own soul? Bear ye one another's burdens. Ye cannot serve God and Mammon."

How does this code of brotherhood find application in the capitalist mode of business? We rejoice in a competitor's discomfort; we'll trip him if we can. We see him drinking himself out of business with inward satisfaction; we'll soon step into his shoes. If he lacks initiative or capacity "we

*The  
Sunday  
Code*

should worry;" his loss is our gain. If he has a fiery temper that makes him bad friends easily, so much the better for us. If he gets a car of frozen potatoes or rotten apples, or a case of bad eggs, without a comeback,—say, that just puts us in our seventh heaven; it's easier for us as it's tougher for him.

We may be working against a customer's best good in pushing a sale. If we don't, some one else will. It's up to him to protect himself. If he doesn't, no one else will. Tie him up in a credit obligation. We know if he doesn't get a crop he'll be "up against it." That's his business, not ours. Camp around him till we wear down his resistance and get a sale; then join the string of creditors that camp around him like a string of wolves watching a storm-driven steer—and each other, waiting the psychological moment—the victim should be each for all, but the creditors want all for each.

Perhaps we're looking for jobs. How do unto others as we would be done by if there are twice as many applicants as places to fill? Here, you say, is a problem that would exist even in the Co-operative Commonwealth, this competition for jobs, but Co-operation means organization to overcome such competition; it means labor engineering; it means adequate machinery for finding and creating employment.

How can one accept the Christian code of brotherhood and at the same time uphold the Capitalist code? Particularly would we address this question to those who hold that personal morality of one kind or another,—the lack of the sound moral impulse in the individual, is the cause of most evil, most of the world's suffering and distress. Unless this "personal morality" has in it something more than a sense of self-righteousness,—unless it has in it a sense of social responsibility,—unless it gets away from the orthodoxy of a self-centered personal salvation, so prevalent in the last century,—unless it recognizes the interdependence of morals and the exchange of spirituality that takes place, along with the exchange of commodities, what does it avail?

We are of one body, holding a certain individuality in ourselves, but so interdependent, so stirred and mixed in social and business contacts, so blended in marriage as one generation emerges from another, so tied together with contacts inescapable, working together toward a common destiny as our children and children's children intermingle,—how can we hold ourselves aloof from others, or assume toward them any attitude not intended to improve them,—how can we regard the welfare of others as not inextricably

bound up with our own?

How may we gratify or cultivate the sound moral impulse in an environment where the code is each for himself? How reconcile the Sunday code with insisting on a grade more than is coming to us in the marketing of our wheat? How choose between my neighbor's family and mine in the competition of getting a job; between a customer's desire for something he can't afford and your need for a sale to keep the wolf from the door; between his extremity to provide for small children and your need to collect on a sale? We don't want to riot at the hog-trough, but in the absence of order or organization for orderly procedure, what else can we do?

We may recognize personal responsibility and a reasonable self-assurance for the fine character qualities they are, but we need to realize also that the seed of sound moral impulse can't grow in a bed of rock. There's an environment to consider, as well as the seed. We're tried to make peace between the Christian code of ethics and the capitalist environment. They won't mix. When we enter the business world in this period of extreme competition, we don't see how we can allow brotherly love to interfere with a favorable balance in the ledger. When we go to church or Bible Class we are willing to stagnate over abstract questions of faith, hope and love, but when it comes to a practical application of Christian ethics to business we want the minister to keep his nose out of business. "Stick to the Bible," we say. No meddling in "worldly affairs." Sow the seed, Sunday after Sunday, on the rocks, Mr. Minister, but don't venture to touch the seed bed. For you that is strictly taboo.

In the Co-operative Commonwealth what would be the standing of liquor and the white slave traffic, of cigarettes and other kinds of commercial vice?

Why do people indulge in these habits? Social forms, largely and a poor environment. Who encourages the social forms and who creates the environment? Who buys police protection for white slavery? Who contributes to the legislative battle for the manufacture and sale of liquor, the brewers and distillers and those who profit from the sale of liquor, or those who drink? Who spreads the subtle and enticing cigarette advertising over the pages of our bright and popular magazines, cultivating an easy and unquestioned acceptance among boys and girls, universalizing a habit extremely difficult to break and presaging a wholesale degeneration if it continues in the generations to come?

Would such advertising originate from any motive other



than that of making money? Would any body of consumers ask for such advertising in calling on the forces of industry for the purpose of supplying their needs? We have an answer to this now. The great body of consumers control the public school. In their children's text books are photographic records of heart action, before and during smoking, as traced on the smoked paper of the kymograph. The moral effect of profit-seeking capitalism is here found to be exactly the reverse of co-operative consumer control.

Compare Co-operative and Capitalist methods in any way you will. One means "Each for all and all for each." The other means each for himself. One asserts that "For every dollar a man gets that he doesn't earn some other man earns a dollar he doesn't get." The other holds that any and every man is entitled to all he can get. One believes in organization to obtain "from each according to his ability; to each according to his need." The other believes in competitive individualism. One stands for efficiency and increased production, with buying power enlarged to make use of it. The other stands for blind, erratic production, duplication of goods and services and endless waste.

One trusts to the profit motive to encourage industry, good or bad. The other has faith in the co-operative environment,—that pride of workmanship is in itself an inducement to achieve; that with reasonable and just remuneration, there is more satisfaction in increasing the goodness and usefulness of the product than in acquiring more wealth than one needs. One believes the principles of Christianity a practical business code. The other turns from Christianity to Churchanity. It gets its head in the clouds and sings, "I love to tell the story of unseen things above," while the co-operative method gets its feet on the earth and turns its hands to practical organization, not so much to relieve distress, as to prevent it; not so much to discover a safe and satisfactory method for handling merchandise credit, as to develop a condition in which such credit will rarely, if ever, be necessary, not merely to keep the breath of life in the body, but to make life a glorious adventure.

We live in a changing era. Capitalism,—competitive individualism, in its pure state is the theory and practice of the jungle, but capitalism as it exists today is being rapidly modified by increasing co-operation.

Get the main facts in mind. The inspiring motives of the two methods: One human need; the other human greed. One designed to make men; the other to make money. To fulfill their respective purposes one distributes net margins

as patronage dividends which gravitate back to the human energy that produced them ;the other distributes net margins to the capital employed in production or distribution.

One co-ordinates division of labor and exchange of products under the direct and simple method of organized control,—control exercised through buying power; the other leaves production and distribution to blind chance,—to auctions of supply and demand centered in exchanges where predatory manipulation, a paper supply and demand, very largely interferes with the balance of true supply and demand; it encourages competition,—passes anti-trust laws to perpetuate needless waste. Out of one method flows harmony, intelligence, prosperity,—a steady progressive growth; from the other we have competitive convulsions, cycles, panics, strikes; extremes of overwork and idleness, of poverty and wealth.

Figure it out for yourself. Can you reconcile the competitive mode of business with the Christian code of ethics? Or is the Christian code of ethics not practical? This question of competitive or co-operative methods is the question of the hour. You may not agree with this outline. Do not agree with it if you can help it. Test it with your own observation and experience. Arrive at your own convictions. Disprove this if you can.



